

PROJECT TO MODERNIZE THE LEGISLATURE

(PN-0078)

EXECUTIVE SUMMARY

BORROWER AND GUARANTOR: Republic of Panama

EXECUTING AGENCY: Legislative Assembly of Panama

AMOUNT AND SOURCE: IDB: US\$2.8 million (OC)
Local counterpart funding: US\$1.3 million
Total: US\$4.1 million

FINANCIAL TERMS AND CONDITIONS: Amortization period: 20 years
Disbursement period: 4 years
Interest rate: variable
Inspection and supervision: 1%
Credit fee: 0.75%

OBJECTIVES: The project's main objective is to bolster the technical and analytical capabilities of the Legislative Assembly, to help it conduct its legislative business and oversight functions more effectively and strengthen its management and political consensus-seeking capacity.

DESCRIPTION: The project has been divided into five components in pursuit of the above-noted objectives.

Strengthening of the legislative function. Improve the legislature's advisory support and oversight systems, and give it a modern set of rules and regulations to work within, including a code of ethics.

Legislative analysis, documentation, and information. Build confidence in the nation's legal system, affording information on and expediting the analysis of current legislation, tracking of bills moving through the legislature, access to documentation, and establishment of an effective legislative information and information-processing system.

Improving dialogue and relations with other branches of government and with civil society. Help set up communication systems to report on the work of the legislature and ascertain its image, forge closer ties with other branches of government, and devise

ways to build consensus and gain the public's trust in the work of legislators.

Strengthening of administration. Improve the Legislative Assembly's administrative and financial management systems, help draft and enact a law on a career legislative service, and institute an ongoing, sustainable training system.

Acquisition of equipment and remodeling of premises.

Expedite the proposed project by supplying computer and other technical equipment and remodeling and adapting premises that are essential for the project activities.

**ENVIRONMENTAL
CLASSIFICATION:**

The Environment Committee, at its meeting of January 30, 1996, classified this as a Category II operation.

BENEFITS:

Concentrating as it does on the legislature's law-making, political representation, oversight, and administrative mandates, the proposed project will help strengthen democracy and improve the workings of the State. It will make information available on current legislation, strengthen the analysis process that precedes the making of laws, and convey an idea of the institutional effort that goes into the economic, social, and political changes unfolding in the country.

In the medium term, the project will improve the quality of legislative work and make it more relevant and timely, and will help rationalize spending and make for more efficient use of budget funds. Ultimately, the project will help win public confidence in the nation's laws, affording more and better information to prospective local and foreign investors, among others.

RISKS:

The activities envisaged in this operation will be pursuing reforms of the laws and regulations that govern the work of the legislature and its committees, among them the establishment of a career legislative service and a new parliamentary code of ethics. These efforts could run up against problems, since they will require a very large measure of consensus among parliamentarians. To counter this risk, the Assembly has set up a Modernization Committee, made up of one representative of each party in the legislature, which in turn will have an Executive Committee and a team of technical officers, who will serve as counterparts to the project consultants and to the Bank.

Difficulties also may arise in adapting and gaining

acceptance of proposals for reorganizing the legislature and equipping it with modern systems, which could delay some of the project activities. To guard against this contingency, support will be sought from the outset from the Assembly's most senior authorities, and particularly from the Modernization Committee, which will be thoroughly apprised of the changes at seminars and other forums. The project's aims and expected benefits will also be amply publicized within the Assembly and elsewhere.

**EXCEPTIONS TO
BANK POLICY:**

It is proposed that the United Nations Development Programme (UNDP) be hired directly as a specialized agency to assist the Executive Committee with the hiring of consultants, purchase of equipment, and administration of training activities (see paragraph 4.7).

**THE BANK'S
COUNTRY STRATEGY:**

In its strategy with Panama, the Bank aims to (i) further the government's proposed economic and sector reform program; (ii) help make public spending more efficient generally and improve the targeting and efficiency of social spending on the poor; (iii) support efforts to modernize the State; (iv) rehabilitate and expand basic infrastructure and rewrite regulatory frameworks for private-sector involvement in the economy; and (v) identify focuses for development, management, and private investment in the inter-oceanic region.

The aforesaid strategy dovetails very closely with the government's program and the nation's efforts to entrench democracy and construct a modern State. A legislature that operates properly will help create a climate conducive to democratic governance and serve as a catalyst for economic and social change.

**SPECIAL
CONTRACTUAL
CONDITIONS:**

Conditions precedent to the first disbursement. It must be demonstrated to the Bank's satisfaction that (i) the government has signed an agreement with UNDP whereby the latter will provide support for administration of the project (see paragraph 4.7); (ii) the Legislative Assembly has set up an Executive Committee for the project and its Technical-Administrative Unit, and has hired an Executive Coordinator and support staff (paragraphs 4.2 and 4.3); and (iii) the executing agency has presented an initial report (work plan) based on the matrix of activities agreed on with the Bank (paragraph 4.17).

Other conditions. (i) The Bank will require progress, interim evaluation, and financial reports (paragraphs 4.9 and 4.16); (ii) up to US\$80,000 in expenditures incurred before the approval date may be

financed retroactively (paragraph 4.10); (iii) monitoring meetings are to be held each year (paragraph 4.19); and (iv) before the special fund envisaged for the legislative strengthening component may be drawn on, the Bank must have received the Fund's operating regulations for approval along with evidence that the Fund has been set up as agreed (paragraph 3.4).